

**REPORT OF THE AUDIT OF THE  
LIVINGSTON COUNTY  
CLERK**

**For The Year Ended  
December 31, 2011**



**ADAM H. EDELEN  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE LIVINGSTON COUNTY CLERK**

**For The Year Ended  
December 31, 2011**

The Auditor of Public Accounts has completed the Livingston County Clerk's audit for the year ended December 31, 2011. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

Excess fees increased by \$9,755 from the prior year, resulting in excess fees of \$93,824 as of December 31, 2011. Revenues increased by \$208,641 from the prior year and expenditures increased by \$198,886.

#### **Report Comment:**

2011-01 The Livingston County Clerk's Office Lacks Adequate Segregation Of Duties

#### **Deposits:**

The County Clerk's deposits were insured and collateralized by bank securities.



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**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Chris Lasher, Livingston County Judge/Executive  
The Honorable Sonya Williams, Livingston County Clerk  
Members of the Livingston County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Livingston County, Kentucky, for the year ended December 31, 2011. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2011, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 30, 2012 on our consideration of the Livingston County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Chris Lasher, Livingston County Judge/Executive  
The Honorable Sonya Williams, Livingston County Clerk  
Members of the Livingston County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

2011-01 The Livingston County Clerk's Office Lacks Adequate Segregation Of Duties

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Livingston County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'Adam H. Edelen', with a stylized, flowing script.

Adam H. Edelen  
Auditor of Public Accounts

August 30, 2012



LIVINGSTON COUNTY  
 SONYA WILLIAMS, COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2011

Revenues

State Fees For Services	\$	4,272
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Revenue Supplement		61,283
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Fiscal Court		585
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	404,562
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Usage Tax		719,925
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Tangible Personal Property Tax		754,856
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Ad Valorem Liens		6,466
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Other-

Fish and Game Licenses		5,188
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Marriage Licenses		2,734
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Deed Transfer Tax		43,215
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Delinquent Tax	158,591	2,095,537
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Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts		7,636
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Real Estate Mortgages		13,032
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Chattel Mortgages and Financing Statements		26,862
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Powers of Attorney		1,205
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Affordable Housing Trust		
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All Other Recordings		17,960
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Charges for Other Services-

Candidate Filing Fees		162
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Notary Fees		380
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Copywork	4,667	71,904
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Other:

Postage	67	
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Miscellaneous	5,578	5,645
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Interest Earned		684
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Total Revenues		2,239,910
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The accompanying notes are an integral part of this financial statement.

LIVINGSTON COUNTY  
 SONYA WILLIAMS, COUNTY CLERK  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	307,917	
Usage Tax		697,536	
Tangible Personal Property Tax		313,579	
Licenses, Taxes, and Fees-			
Fish and Game Licenses		5,055	
Delinquent Tax		21,207	
Legal Process Tax		8,471	
Affordable Housing Trust		9,822	\$ 1,363,587

Payments to Fiscal Court:

Tangible Personal Property Tax	58,322	
Delinquent Tax	16,026	
Deed Transfer Tax	41,054	115,402

Payments to Other Districts:

Tangible Personal Property Tax	351,957	
Delinquent Tax	73,346	425,303

Payments to Sheriff 11,697

Payments to County Attorney 21,972

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	84,268
Part-Time Salaries	23,474

Contracted Services-

Advertising	2,639
Computer Maintenance	10,061

Materials and Supplies-

Office Supplies	1,197
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Other Charges-

Conventions and Travel	6,531	
Dues	3,396	
Postage	126	
Miscellaneous	5,138	136,830

The accompanying notes are an integral part of this financial statement.

LIVINGSTON COUNTY  
 SONYA WILLIAMS, COUNTY CLERK  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)

Capital Outlay-		
Office Equipment	\$ 570	
Total Expenditures		\$ 2,075,361
Net Revenues		164,549
Less: Statutory Maximum		66,208
Excess Fees		98,341
Less: Expense Allowance	3,600	
Training Incentive Benefit	917	4,517
Excess Fees Due County for 2011		93,824
Payment to Fiscal Court - March 1, 2012		93,524
Balance Due Fiscal Court at Completion of Audit		\$ 300

The accompanying notes are an integral part of this financial statement.

LIVINGSTON COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2011

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2011 services
- Reimbursements for 2011 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2011

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

LIVINGSTON COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2011  
(Continued)

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.93 percent for the first six months and 18.96 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<b>Years of Service</b>	<b>% paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

LIVINGSTON COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2011  
(Continued)

Note 3. Deposits

The Livingston County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The Livingston County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2011, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Library And Archives Grant

The Livingston County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$2,318. There were no funds expended during the year. The unexpended grant balance was \$2,318 as of December 31, 2011.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Chris Lasher, Livingston County Judge/Executive  
The Honorable Sonya Williams, Livingston County Clerk  
Members of the Livingston County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Livingston County Clerk for the year ended December 31, 2011, and have issued our report thereon dated August 30, 2012. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Livingston County Clerk's office is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comment and recommendation, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comment and recommendation as item 2011-01 to be a material weakness.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Livingston County Clerk's financial statement for the year ended December 31, 2011, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Livingston County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', with a long horizontal flourish extending to the right.

Adam H. Edelen  
Auditor of Public Accounts

August 30, 2012

COMMENT AND RECOMMENDATION



LIVINGSTON COUNTY  
SONYA WILLIAMS, COUNTY CLERK  
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2011

INTERNAL CONTROL - MATERIAL WEAKNESS:

2011-01 The Livingston County Clerk's Office Lacks Adequate Segregation Of Duties

During our review of internal controls, we noted the County Clerk's office has a lack of segregation of duties. The bookkeeper prepares reports, reconciles checking accounts, collects receipts, prepares deposits, prepares ledgers, reconciles ledgers, and prepares disbursements. She also prepares all payroll disbursements and reports. Documented compensating controls were not in place to offset this control deficiency. We make the following recommendations to implement compensating controls:

- The County Clerk should document approval of the monthly tax reports.
- A co-signature should be required on all checks.
- Receipts and disbursements ledgers should be checked and approved by someone other than the preparer. This should be documented by initialing the ledgers.
- Bank reconciliations should be checked and approved by someone other than the preparer of the reconciliation. This should be documented on the bank reconciliation by initialing the bank statement.

*County Clerk's Response: No Response.*

